the addition of a further 1.5-million b/d of medium and heavy oil productive capacity (PIW May 17,p.3).

The Aramco partners, who were warned about "underlifting" crude oil volume in February when production slowed to some 7.5-million b/d, are now responding to a Saudi invitation to take only as much or as little as they need. Total production reportedly is ranging between 5.5- and 6-million b/d. The fear that they and Petromin's direct clients might lose future entitlement to Saudi crude—if they cut their offtake "imprudently"—provides a more solid underpinning of Saudi production than any gas constraints. In Quito, Oil Minister Yamani said output was 6.5-million b/d in April and 6.7-million in March. That indicates an average of about 7.5-million for January-April.

Demand For Oil May Be Tailing Off In Third World Too

Common oil industry wisdom says growing needs of the developing countries will almost inevitably offset any future decline of oil demand in the industrial world. But latest data are raising questions on this, because growth in the non-industrial world is rapidly slowing down. Oil consumption in the Western industrial nations fell 6% in 1981, according to British Petroleum's latest Annual Statistical Review. At the same time, overall Free World demand was off by 3.9%, and total world demand (East Bloc included) dropped 2.8%.

Oil consumption in non-industrial nations rose a bare 2.1% in 1981, according to BP. The developing nations as a group (in Latin America, the Middle East and Southeast Asia) saw demand growth slow from the 5% rate of 1979-80 to only 3.4% in 1981. Growth in the East Bloc continued at a snail's pace of 1%.

Since the first oil price shock more than eight years ago, oil growth in the non-industrial world has averaged only about 4.5% a year versus 8%-9% in the years immediately prior. What is more, the rate has declined in every year but one since 1973. It increased in 1976 following a much sharper-than-average slowdown during the major recessionary year of 1975. And it slipped only marginally in 1977. But otherwise the falloff has been stubbornly steady.

TEN YEAR PERSPECTIVE ON WORLD OIL DEMAND TRENDS—1972 TO 1981

	Annual Percentage Changes						Volume (in million b/d)					
	Western	Others			Totals		Western	Others			Totals	
Year	Industrial Nations	Developing	East Bloc	Sub-Total	Free World	Grand Total	Industrial Nations	Developing	East Bloc	Sub-Total	Free World	Grand Total
1981	–6.0	+3.4	+1.0	+2.1	–3.9	–2.8	35.7	11.4	12.8	24.2	47.0	59.8
1980	–7.7	+5.0	+0.8	+2.7	–5.1	–4.0	38.0	11.0	12.7	23.7	48.9	61.6
1979	+0.5	+5.0	+2.7	+3.7	+1.3	+1.6	41.1	10.5	12.6	23.0	51.6	64.1
1978	+2.0	+6.1	+4.1	+5.0	+4.9	+3.1	40.9	10.0	12.2	22.2	50.9	63.1
1977	+2.3	+6.6	+5.2	+5.9	+3.1	+3.5	40.1	9.4	11.7	21.1	49.5	61.2
1976	+5.3	+6.1	+5.7	+5.9	+6.2	+6.2	39.2	8.8	11.2	20.0	48.0	59.2
1975	–3.3	+1.2	+4.6	+3.1	–2.2	–1.2	36.9	8.3	10.5	18.8	45.2	55.7
1974	–4.6	+3.7	+9.9	+7.0	–3.2	–1.1	38.1	8.2	10.1	18.3	46.3	56.4
1973	+7.5	+9.2	+10.1	+9.7	+7.7	+8.1	40.0	7.9	9.2	17.1	47.9	57.0
1972	+6.9	+7.4	+9.3	+8.4	+7.0	+7.3	37.2	7.2	8.3	15.6	44.4	52.8

Note: Industrial nations include North America, Western Europe, Japan and Australasia. East Bloc includes USSR, Eastern Europe (except Yugoslavia) and China. Developing nations include all others.

Slower economic growth undoubtedly is exerting an influence on demand, but the pattern here is nowhere as consistent or as sharp as the decline in the oil consumption rate. Although economic growth slumped badly after 1973 and again after 1979, it rebounded in between almost to its previous level. Figures by Royal Dutch-Shell show the world's economies growing by almost 4.8% a year in 1970-1973 as against about 4.4% in the 1976-79 period. Growth averaged less than 0.8% in 1974-75 and less than 1.8% in 1980-81.

As in the industrial world, price-related conservation and substitution have had a big hand in the non-industrial world's oil slowdown. Although oil consumption in non-industrial economies generally is thought less responsive to price changes than in the industrial world, a link nonetheless exists. Moreover, since the Third World imports so much of its energy-consuming goods from industrial countries, it can't help but import some of their efficiency improvements as well.

And many experts believe that the impact on oil demand of the 1979-80 jumps in consumer prices will persist for at least several more years, assuming no fundamental reduction in world crude oil prices. Their reasoning: If the impact of 1973-74 increases was still evident five years later, why expect the impact of 1979-80 increases to work through the system before the mid-1980s at the earliest?

Meanwhile, there seems little reason to think that the outright decline in oil use that began in the industrial world more than two years ago is over yet. Many demand specialists assume the falloff will be much more moderate than the declines of the last two years. While many official industry forecasts still show a turnaround in the demand decline of industrial nations, timing of recovery keeps getting pushed further into the future. These forecasts also don't address the issue of structural changes in demand. But one report recently published by the International Energy Agency contained this flat statement: "There is no doubt . . . that a process of structural change, leading to reduced dependence on oil on a lasting basis, is underway in the industrialized countries." The agency will elaborate on this sobering view in its upcoming "World Energy Outlook, 1980-2000," later this year.

Summit Seven Warned Of Serious Energy Situation

With urgent economic issues and Israel's invasion of Lebanon claiming their attention, heads of the world's seven leading industrial nations hardly mentioned energy at their Versailles summit meeting. But private warnings they received that the situation is graver than generally known could influence energy decisions of their governments in coming months. Bogged down in arguments over monetary matters and trade relations with the USSR and East Europe, the summiteers raised no objections to the 10 lines on energy in the final communique. "The progress we have already made does not diminish the need for continuing efforts" to save energy, promote alternatives to oil, cooperate in developing new technologies and build up capacity to deal with disruptions, it said.

The bland public pronouncement on energy contrasts with the bleak message given in a confidential report: Energy production is growing more slowly than planned, and coal and nuclear goals for 1990 are unlikely to be met. This contrasts with 1990 energy projections included in summit preparations, which indicated that the 1980 Venice summit aims were attainable (PIW April 5,p.9).

Without boring them with figures, the private note to the heads of state said that instead of doubling by 1990 as promised at the Venice summit, coal production and use probably will not even rise by the 50% now expected. National goals for nuclear electricity production look doubtful. And development of nonconventional energy is being held back by financing problems and by changed oil price expectations, according to the report of the high-level energy group. There is great uncertainty also about whether energy consumption changes of the last two years are permanent, as well as serious concern that when economic expansion begins again, demand for energy will rise, especially for oil.

Some other points raised—but by no means settled—at the summit could one day have an effect on energy. One is approval of "global negotiations" at the United Nations on energy and other issues, provided the independence of specialized agencies such as the World Bank and IMF are guaranteed. Agreement to pursue a "prudent economic approach" to the USSR and to show "prudence" in limiting export credits will also, if observed, have energy connotations. But unless something was whispered into the ear of one head of state by another, Europe's planned Siberian gas imports and the Russian pipeline apparently were not debated.